Tehmag Foods Corporation
2020Q1 Business Report

Willy Chiou – Financial Controller

July 8, 2020

Agenda

1 China Bakery Market

2 2020Q1 Financial Analysis

3 2020Q1 China Operation

Executive Summary

- **Industrial Trend： A stable growing consumer industry**
  - Driven Elements：**Population, Income Level, Urbanization**
  - Product Trend：**Tasty, Healthy, Convenient, Safety**
  - Taiwan Market: Food service and travelling industries have been hit by Cov-19, but limited impact for bakery stores
  - China Market: Benefit from **the growing consumption level and urbanization development**, plus China government's **leverage on domestic consumption**, bakery products and channels become **more diversified**, the future growth room is still big.

    (Although there is sales pressure in the short term by the influence of COVIN-19 in 1sr half year, it expect a sales recover and increase in the 2nd half year)

- **Business Model： Selling with total solutions and creating product value for customers**
  - A strong baker team can support customers with the popular applications collected from mainland and outside China, which should be tasty, reasonable cost for higher margin room and easy execution
  - Tehmag is a supplier focusing on food safety: in addition to its local and international product inspection systems, it is also tooled with the third-party inspection

Executive Summary

- Growth Opportunities : China bakery market is stepping in the growth period
  - China business is growing with the model of "profit growth driven by revenue", via product upgrade and channel expansion
  - Taiwan business: have obtained the brand agent of Elle & Vire、LESCURE, which help to support the revenue increasing

- Operation Performance: target to long term profit earning and high interest distribution
  - Year2012-2019 EPS>10—net profit with CAGR at 13.15%; net profit from parent company with CAGR at 10.45%
  - Year2014-2019, cash divident>10; future dividend policy will be based on the principle of long-term stability

Highlights for Operations

Taiwan

- Sole agency with the strong brands of Elle & Vire and LESCURE drive the business growth at Taiwan
- Huge impact on the catering and turism industries by COVID-19, but after the pandemic is stabler in June, sales is growing gragually.

Mainland China

- ✓ Chain stores are impacted by the COVID-19 the most (especially in major Expand channel structure)
- ✓ Duo to the pandemic, the pressure of huge stocks of Japanese flours leads to gross profit margin decline.
- ✓ Expand channel structure
- ✓ Keep controlling expense rate
- ✓ Sales team management (bonus / promotion / elimination / tracking)

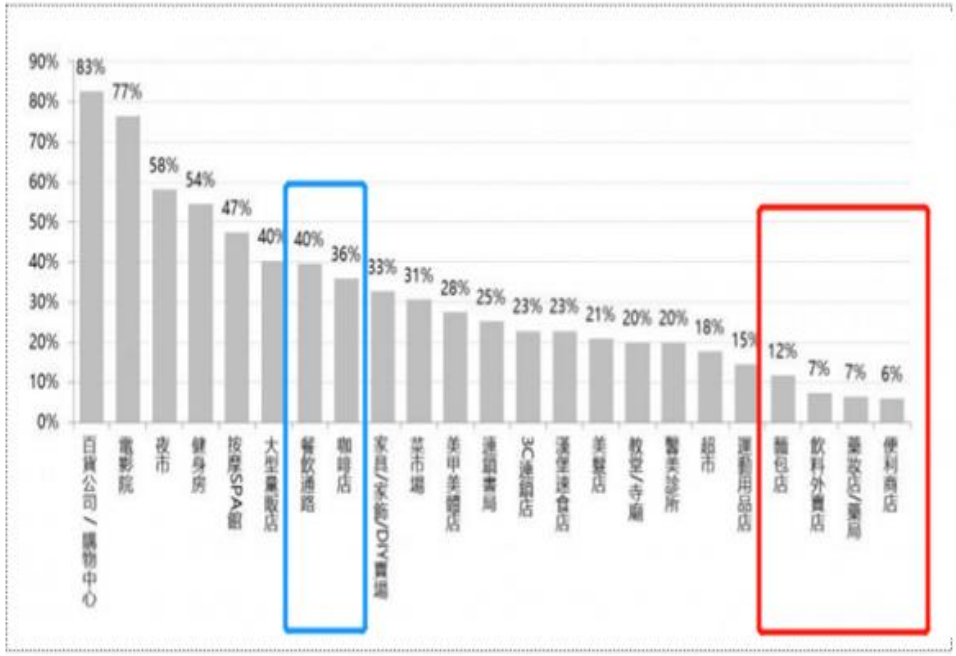
Hong kong

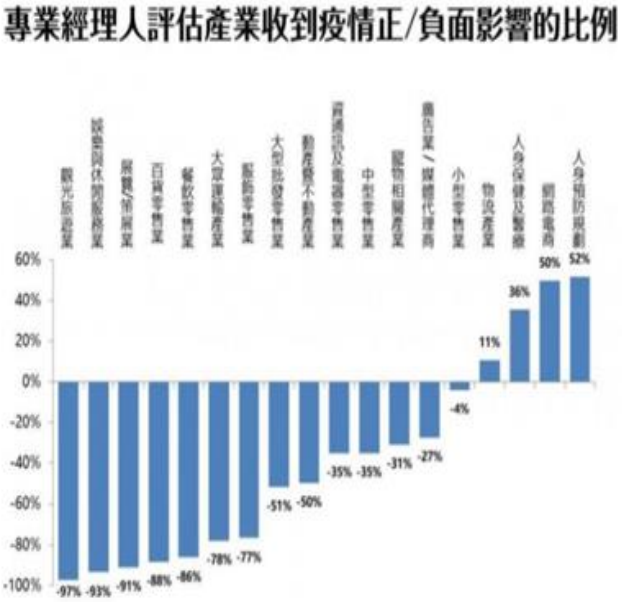
- Focus to develop key accounts
- Profit improved with the good management efficiency

Malaysia

- In April, there is lockdown policy in Malaysia, major customers closed business.Stable sales team achieved a double digit growth
- In May, the sales is growing gragually.

Impact of COVID-19





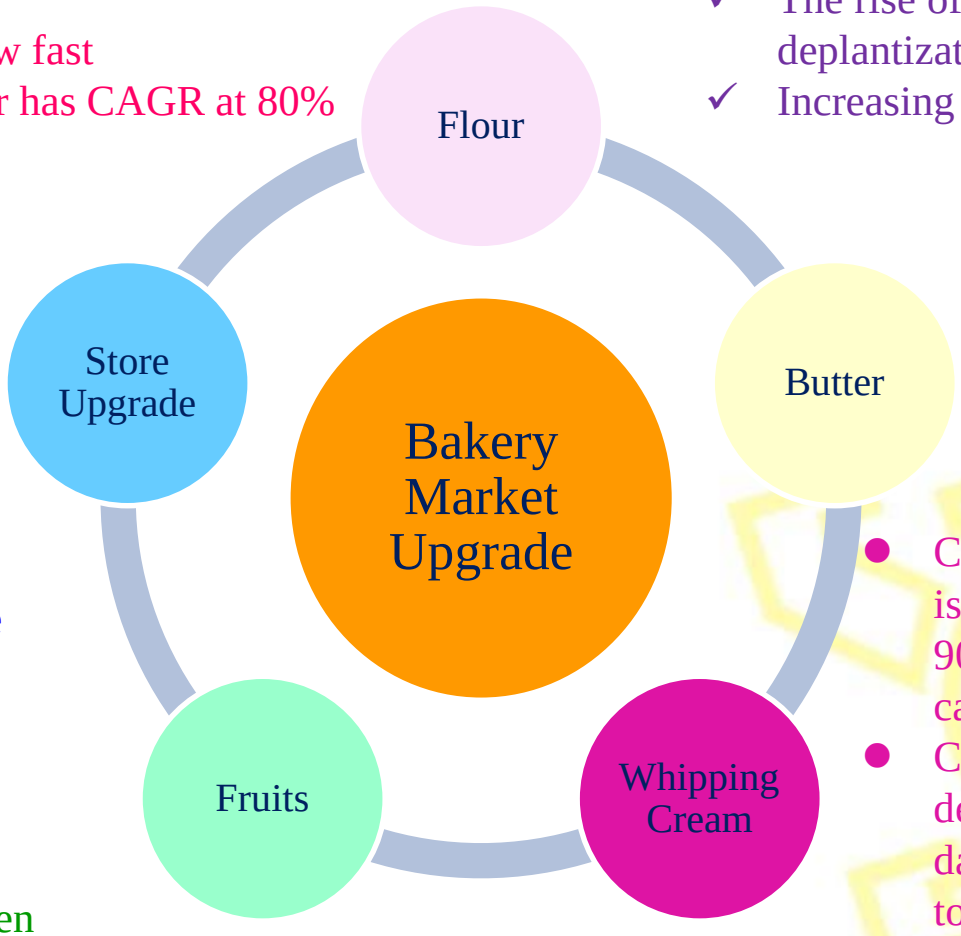
- McKinsey research report shows that short stay Convenient store, beverage take out shop, bakery are highly dependent pathway, impact is minimum.
- Shopping mall impact is the biggest, catering access, café are the second.

1.China Bakery Market Overview

China Bakery Market Update

- Imported flour market grow fast
- Market size of import flour has CAGR at 80% during 2015-2019

- ✓ The rise of health consciousness result in deplantization
- ✓ Increasing use of natural butter

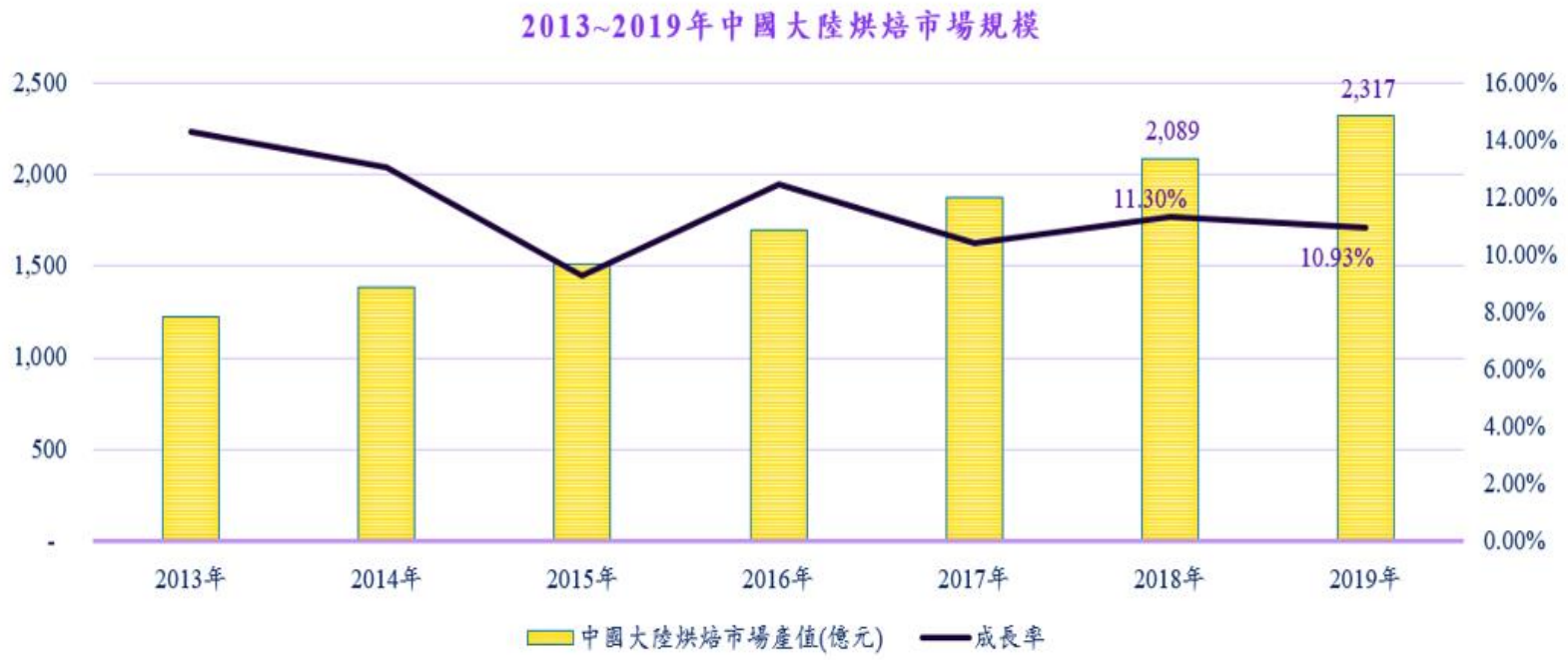


- Bakery stores are busy for upgrading
- Particularly invest on store renovation

- China whipping cream market is estimated around 1 mil tons, 90% ever from vegetable category
- Currently, vegetable category declined to 0.6 mil tons, while dairy category has 0.36 mil tons and mixed has 0.04 mil tons

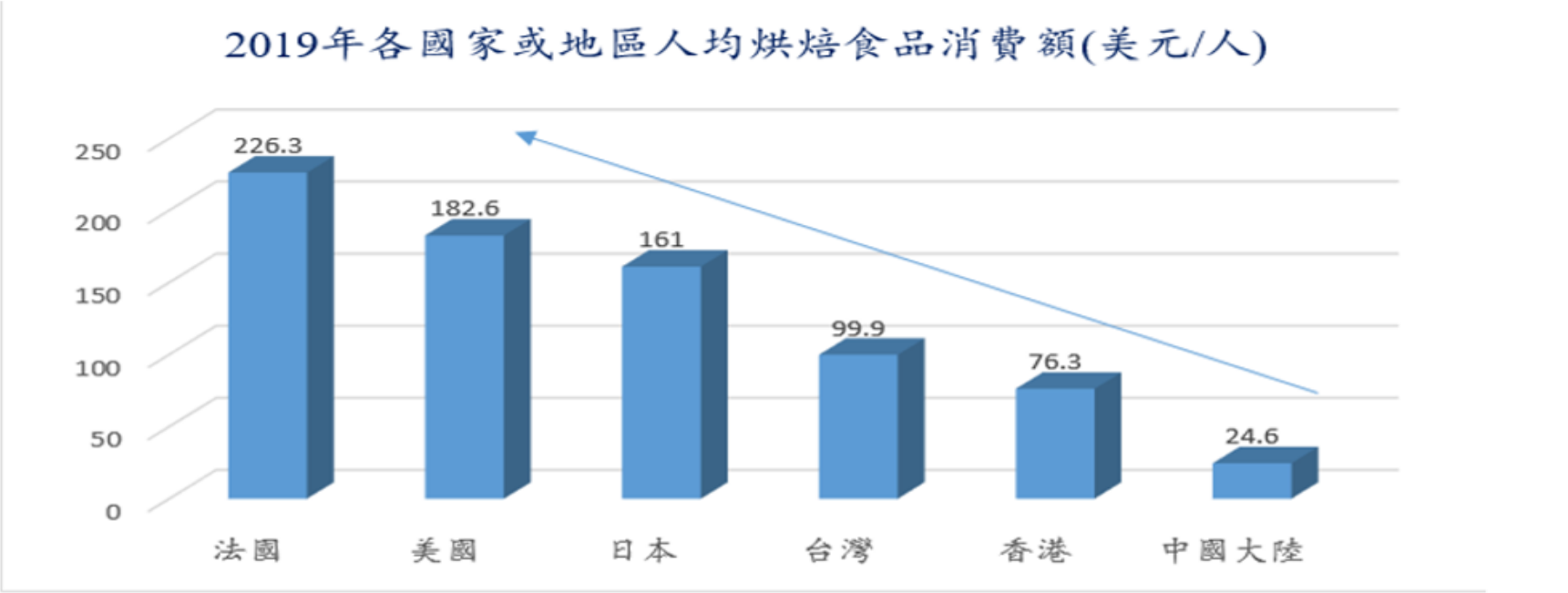
- Canned fruits have been replaced by fresh fruits

China Bakery Market Update



- With the growth of China capita consumption，catering consumption structure adjustment and changing rhythm of life. Nutrition and health, fast and diversified baking products step into a period of rapid growth in China.

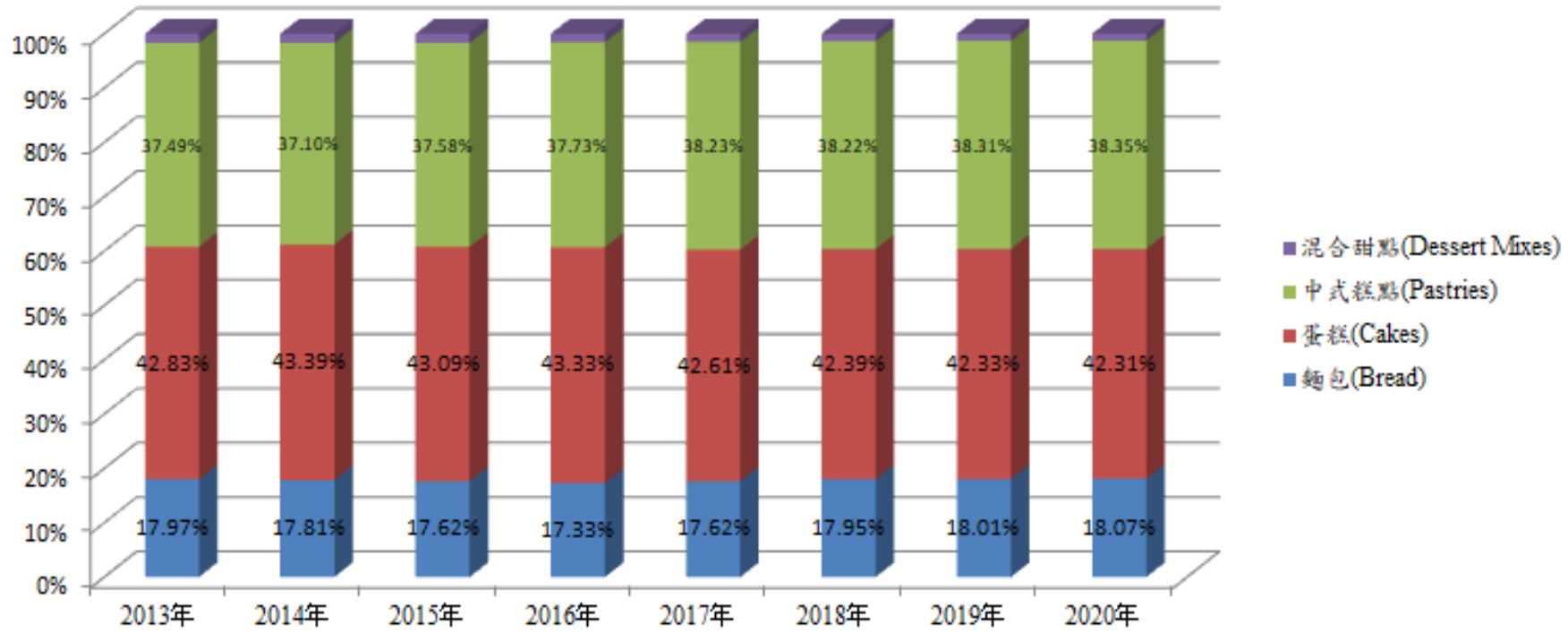
China Bakery Market Update



- Although China baking industry has increased rapidly in recent years, but baked food in per capita consumption still have a large gap. There is room for promote in the future.
- With consumption upgrading in the future, consumers' requirements for quality and experience have been improved also rise the scale of baking industry.

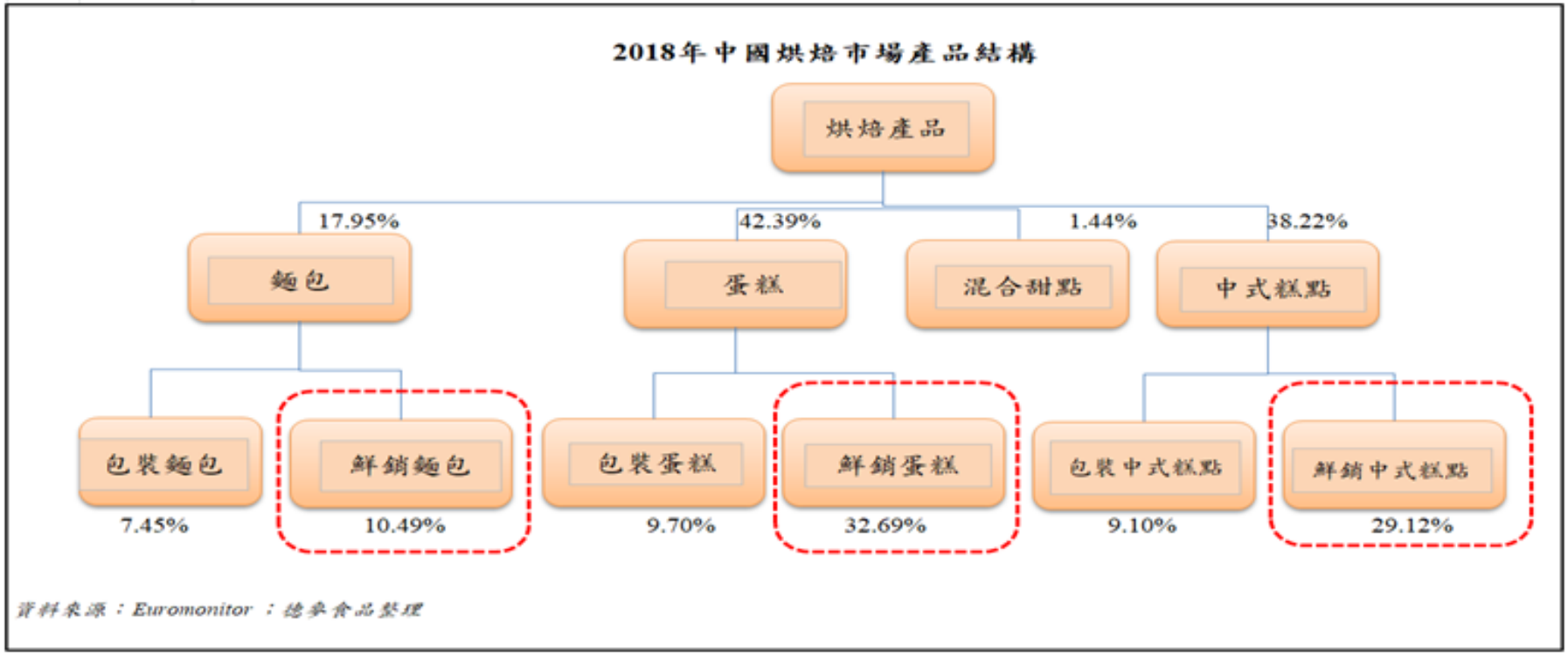
China Bakery Market Update

中國大陸烘焙市場產品結構(2013~2020年)



- When more people take bread for breakfast, share of bread category has stable increase in recent years
- Cake category still have the biggest market share, when the demand of Japanese flour,butter and whipping cream become bigger
- The share of Chinese pastry has increased since 2015, which drive the sales of Japanese flour, AMF and filling.

中國烘焙市場現況更新 China Bakery Market Update



產品結構：

- 規模最大的是蛋糕，佔到市場的42.39%
- 現烤烘焙產品佔有 72.30%的市場份額
- 疫情後，預包裝產品需求上升

Product Mix:

- Cake has the biggest share of 42.39%
- Fresh baking products has total 72.3% share
- After COV-19, the sales of packed products is rising

中國烘焙市場現況更新 China Bakery Market Update

- Beverage Channel 饮品渠道

  - Market size of tea house (instant tea making) grow very fast in recent years at China, around 30% CAGR, faster than bakery market
  茶饮店的市场总量近年以30%的速度每年增长，远高于烘焙店的增速

Market Size for Ready to Drink Tea (CMY'00 mil)

	2014	2015	2016	2017	2018
门店现制奶茶	144.2	187	242.6	314.7	408.2
液态即饮奶茶	36.2	34.1	39.7	44.0	46.3
固态速溶奶茶	56.4	51.8	42.1	43.4	49.2

Tea House Store Number (10,000)

➢ Sales of tea shop has been booming since 2015, with product mix of drink+european bread, the top brands are Nayuki, HeyTea, LeLeCha, HappyLemon…

2. 2020Q1 Financial Analysis

公司簡介(Company Profile)

List company 股票上櫃公司

- Founded in 1989, Taiwan's largest bakery ingredients importer.
- Have 10000+ Transaction customers.
- Transaction customers 7500+ every month.
- Acting 70+ global famous brands.

Global player 全球视野

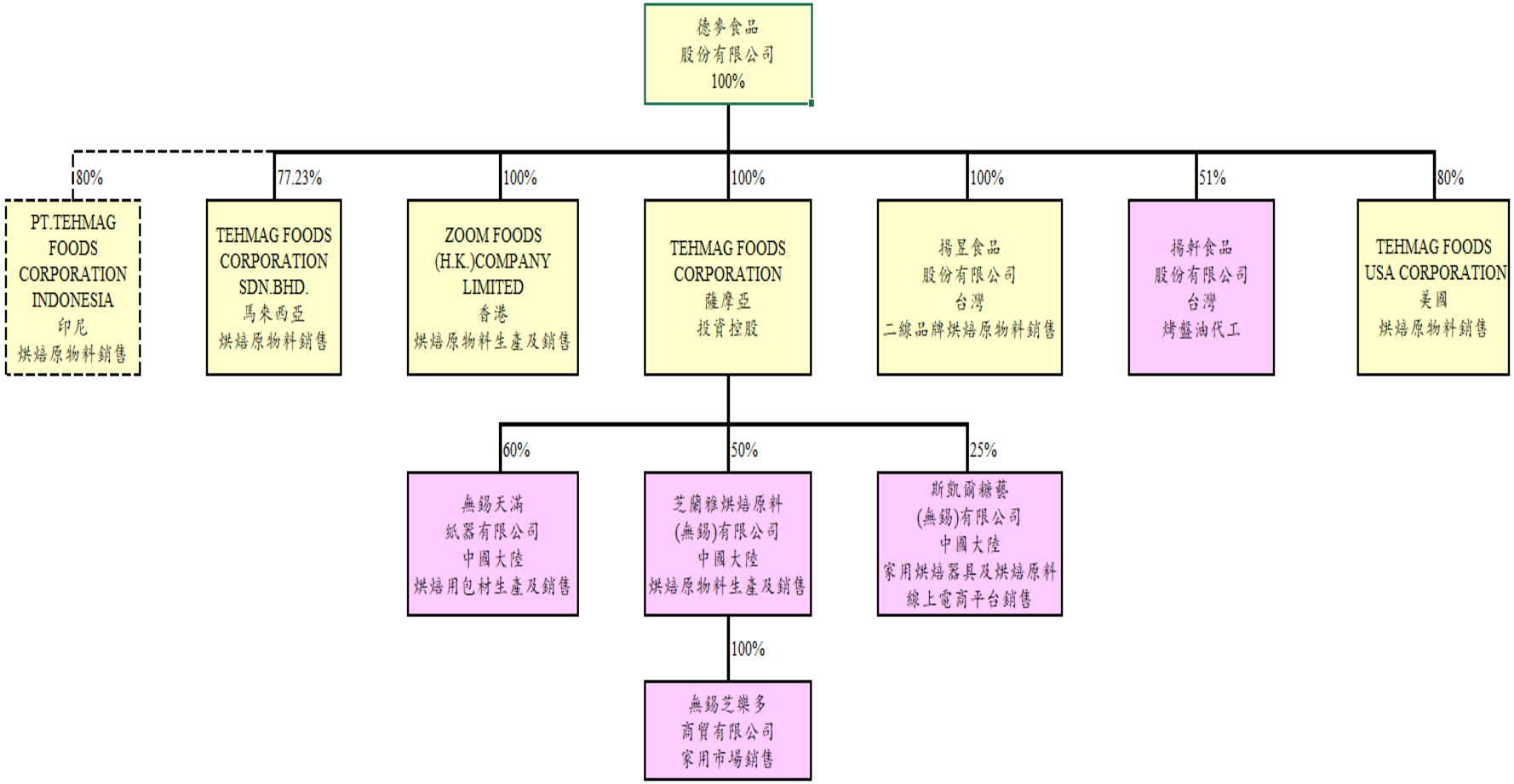
- Global employees 600+
- Group companies are located in Taiwan, China, Malaysia, HK, Indonesia, and USA

吳文欽 總經理

林雪嬌 董事長

集團架構圖(Group structure)

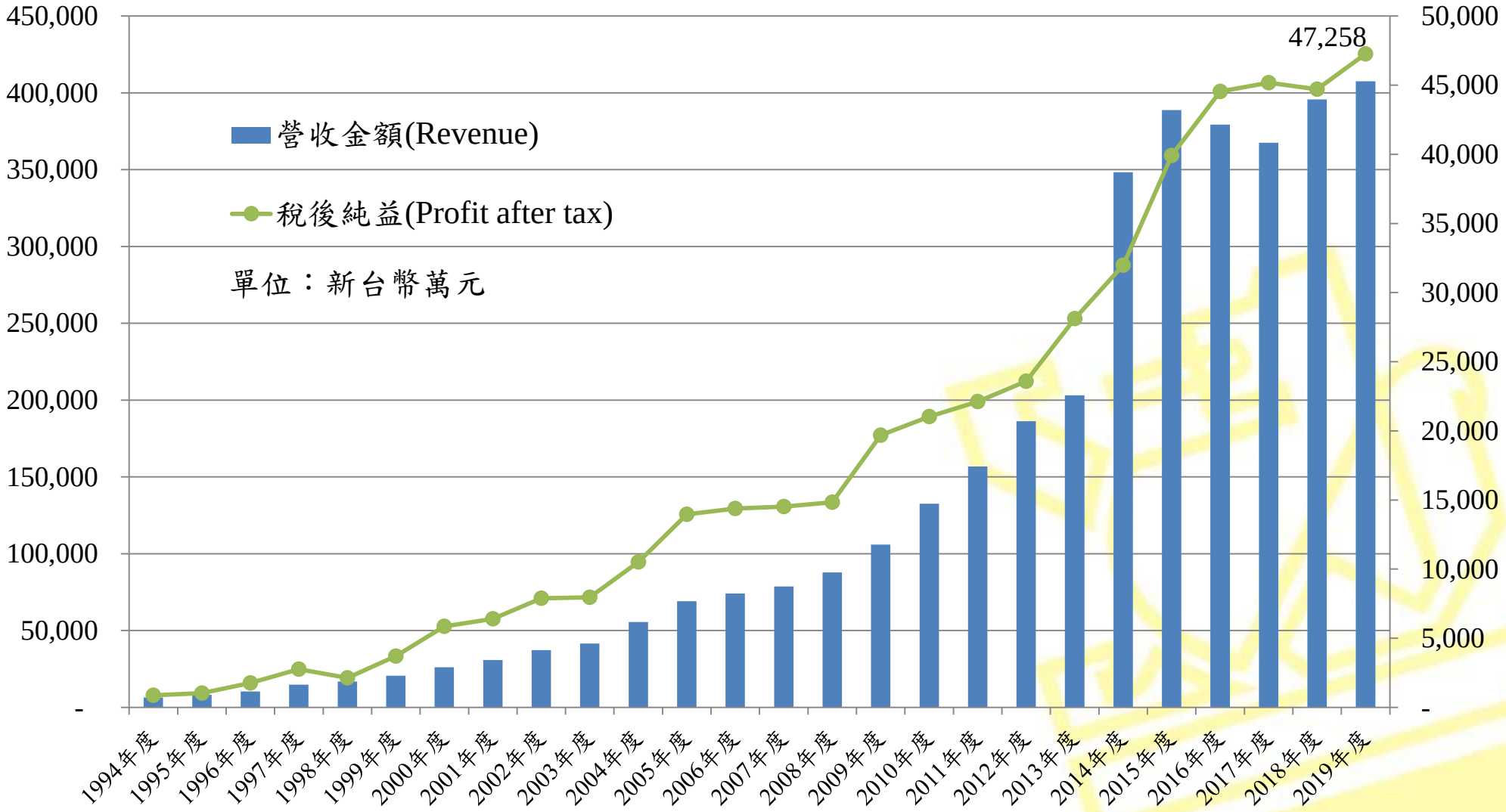
2020.6.30



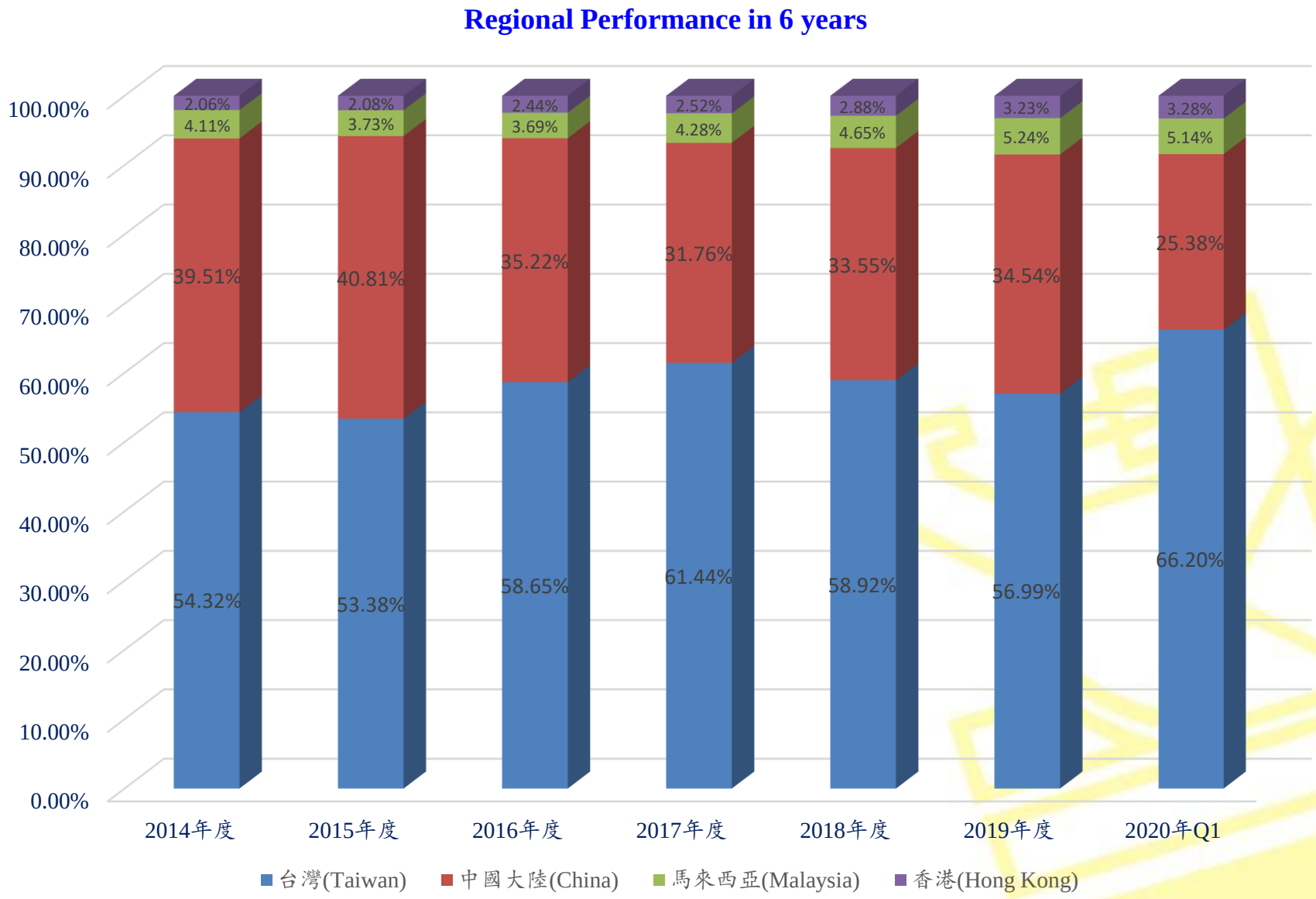
陣容強大的代理品牌(Brand with strong lineup)

陣容強大的品牌

(Sales and Profit Trend Chart)

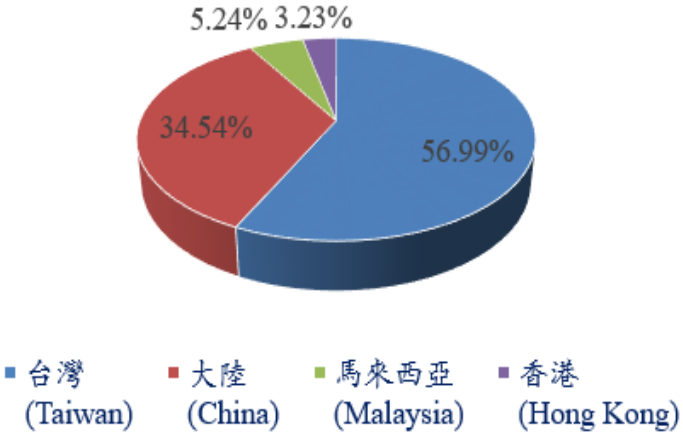


Regional Performance in 6 years

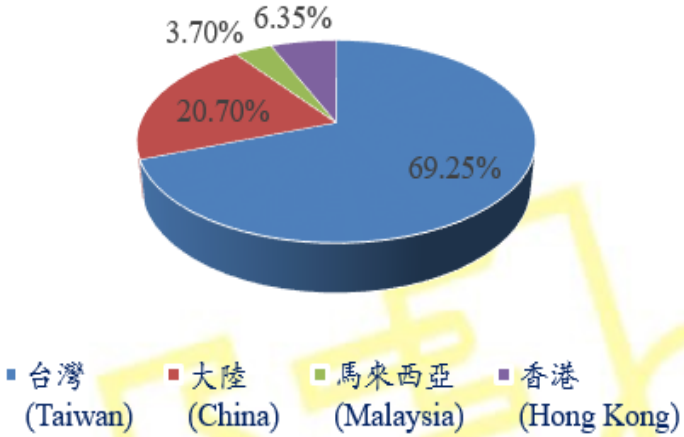


Proportion of Revenue and Profit (2019)

2019年前12月營收比重
(Proportion of revenue YTD December 2019)



2019年前12月利潤比重
(Proportion of net profit YTD December 2019)

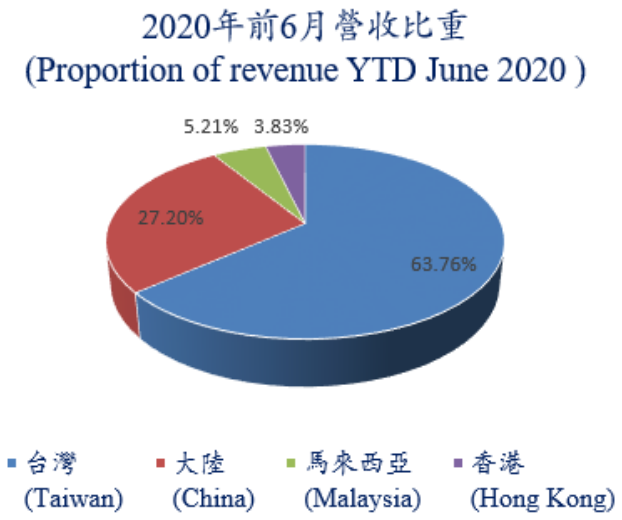


	德麥 (Tehmag)	無錫芝蘭雅 (ZBIW)	馬來西亞 (Malaysia)	香港 (Hong Kong)	天滿 (TMIW)	合併 (Group)
2019年營收成長率(原幣) 【Revenue growth rate YTD December 2019 (original currency)】	-0.24%	8.27%	10.69%	12.84%	0.52%	3.62%
匯率影響 【Influence of exchange rate 】	-	-1.93%	-0.31%	2.57%	-1.93%	-0.63%
2019年營收成長率 【Revenue growth rate YTD Deceber 2019 】	-0.24%	6.18%	10.35%	15.74%	1.42%	2.99%

Proportion of Revenue and Profit (2020Q1)

	德麥 (Tehmag)	無錫芝蘭雅 (ZBIW)	馬來西亞 (Malaysia)	香港 (Hong Kong)	天滿 (TMIW)	合併 (Group)
2020年前3月營收成長率(原幣) 【Revenue growth rate YTD March 2020 (original currency)】	3.41%	-20.65%	4.68%	-13.42%	-29.24%	-3.88%
匯率影響 【Influence of exchange rate 】	-	-5.32%	-4.60%	-1.37%	-5.32%	-1.63%
2020年前3月營收成長率 【Revenue growth rate YTD March 2020 】	3.41%	-25.08%	-0.30%	-14.64%	-33.19%	-5.51%

Proportion of Revenue and Profit(2020H1)



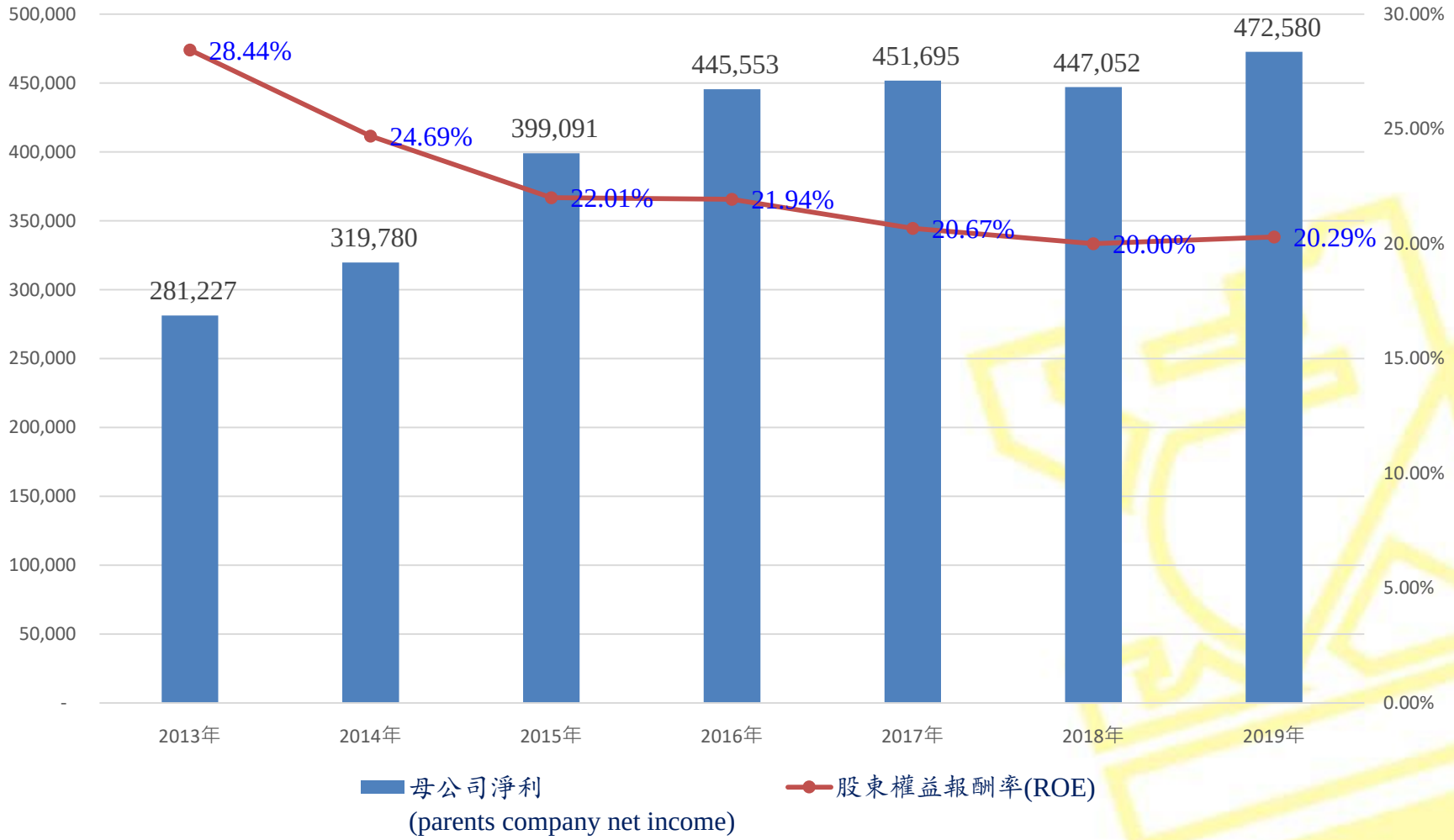
	德麥 (Tehmag)	無錫芝蘭雅 (ZBIW)	馬來西亞 (Malaysia)	香港 (Hong Kong)	天滿 (TMIW)	合併 (Group)
2020年前6月營收成長率(原幣) 【Revenue growth rate YTD June 2020 (original currency)】	5.16%	-13.77%	2.49%	4.01%	-22.03%	-0.24%
匯率影響 【Influence of exchange rate 】	-	-6.56%	-6.55%	-2.15%	-6.56%	-2.30%
2020年前6月營收成長率 【Revenue growth rate YTD June 2020 】	5.16%	-19.43%	-4.22%	1.78%	-27.15%	-2.54%

Financial Ratio Analysis

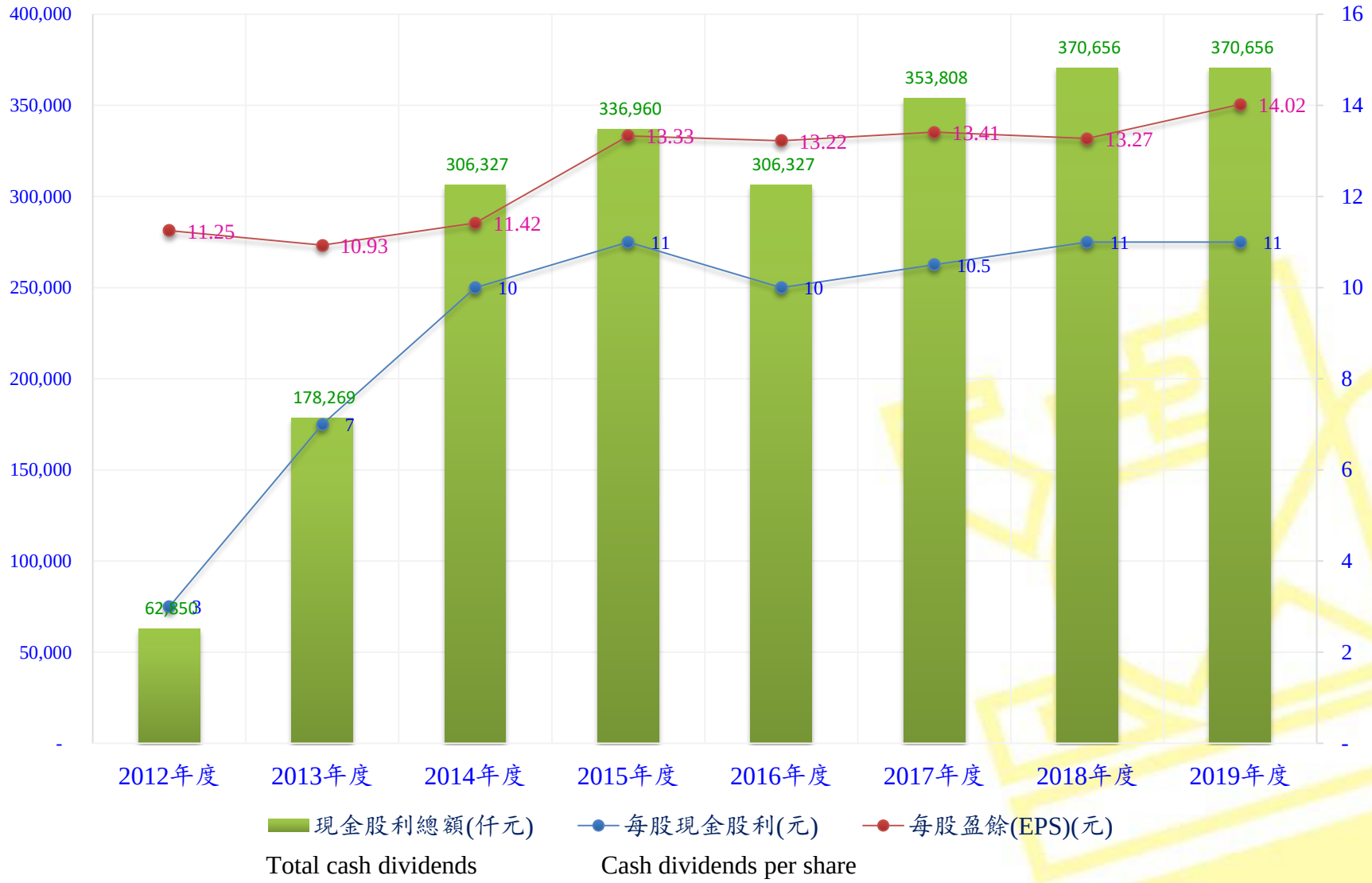
項目			2019 年度	2018 年度
財務結構分析	負債佔資產比率		17.82%	16.35%
	長期資金佔固定資產比率		366.71%	381.27%
償債結構分析	流動比率		455.58%	489.91%
	速動比率		338.65%	368.88%
經營能力分析	應收款項周轉率(次)		5.38	5.31
	平均收款天數(天)		68	69
	存貨周轉率		5.18	4.85
	平均銷貨天數		70	75
獲利能力分析	資產報酬率		16.88%	16.73%
	股東權益報酬率		20.29%	20.00%
	佔實收資本比率	營業利益	214.51%	204.89%
		稅前純益	220.09%	209.16%
	純益率		14.04%	13.45%
	每股盈餘(元)		14.02	13.27

- Financial structure: the debt ratio of the company is 17.82%, and the long-term capital accounts for 366.71% of the fixed assets, which is higher than 100%. The financial structure is very good.
- Solvency: the current ratio and quick ratio of the company are 455.58% and 338.65% respectively, both higher than 100%, indicating that the liquidity and solvency of assets are quite good.
- Business capacity analysis: the average collection days and average sales days of the company are 68 days and 70 days respectively, which are shorter than last year, showing that the business capacity is gradually improving
- Profitability: ROE is 20.29%, which is higher than 15% in the last 10 years. It is a high-quality company with value investment in Buffett's opinion

ROE TEHMAG (2012~2019)

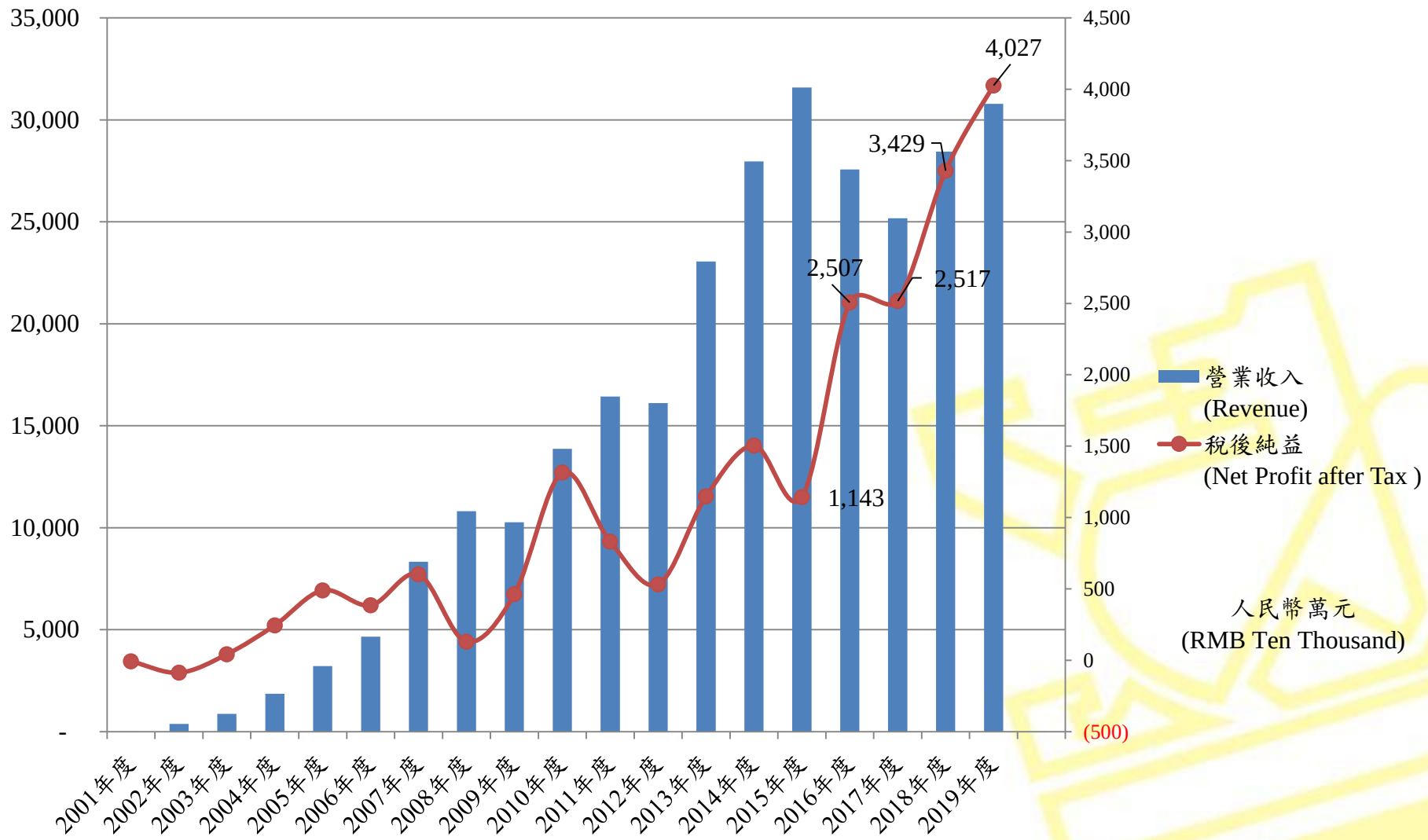


Cash Dividend Policy



3. 2020Q1 Operation Report for Mainland China

Sales and Profit Trend Chart

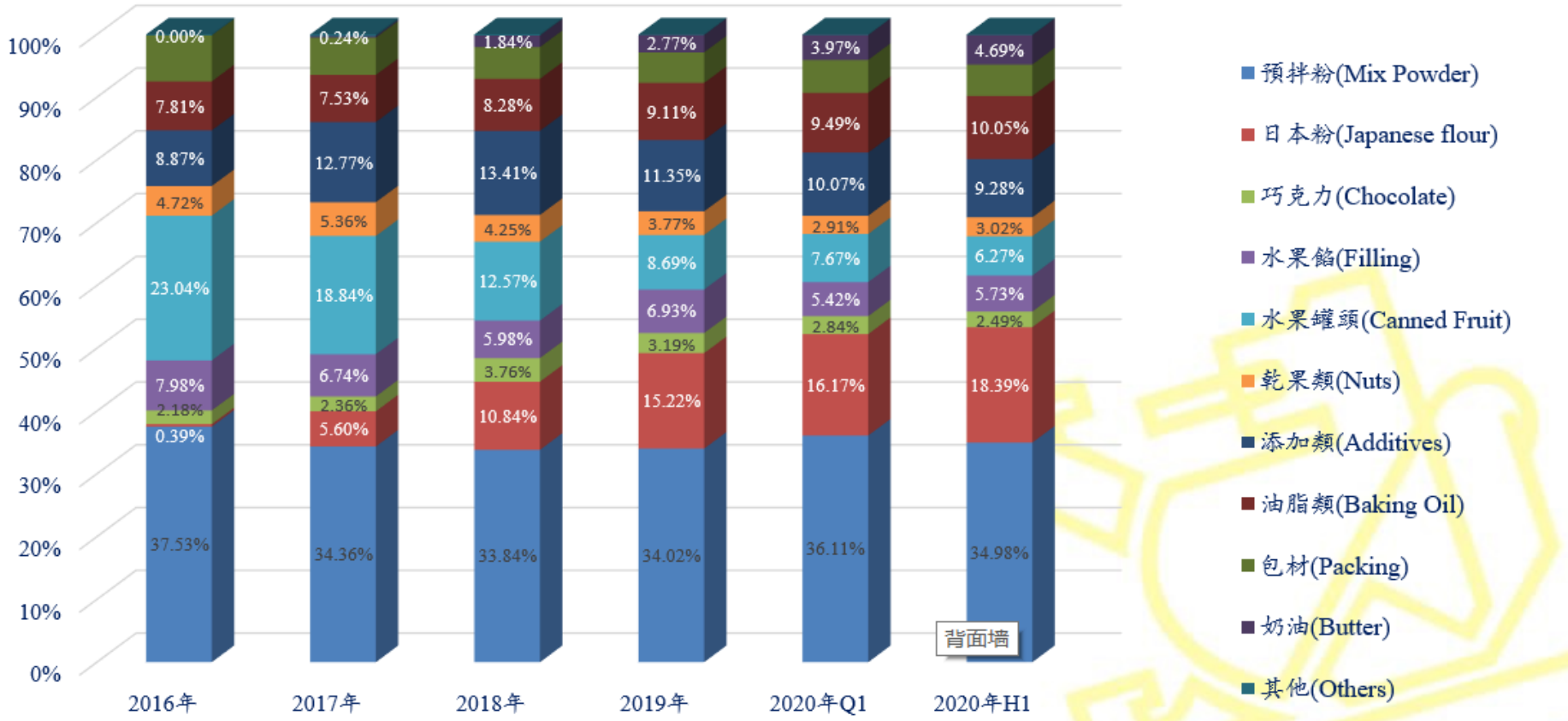


Financial results YTD March 2020(ZBIW)

RMB Thousand

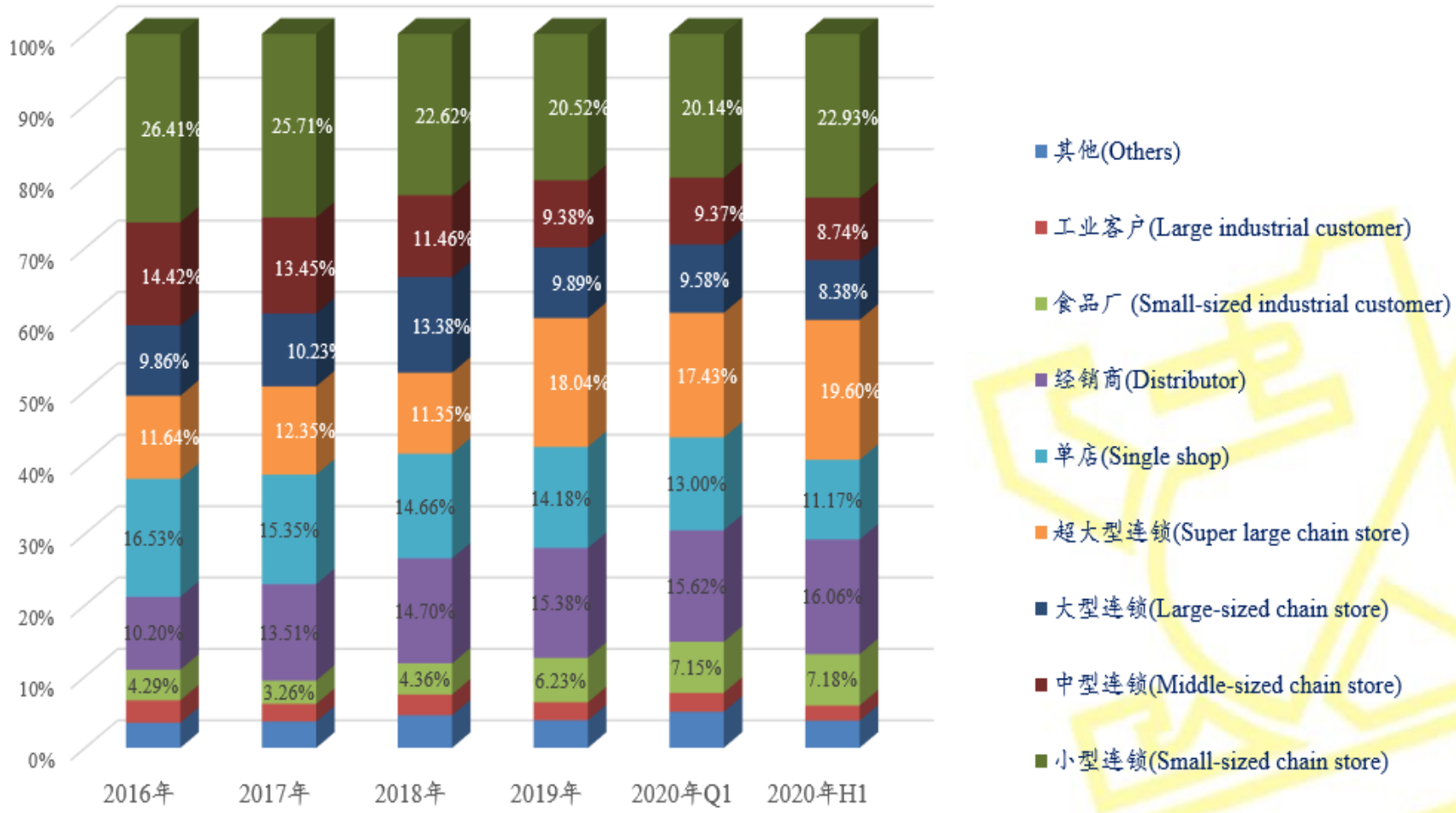
ZBIW	2020年Q1		2019年Q1		Increase or decrease	
	Amount	%	Amount	%	Amount	%
營業收入 (Net sales)	52,312	100.00	65,925	100.00	(13,613)	(20.65)
營業毛利 (Gross margin)	19,317	36.93	26,020	39.47	(6,703)	(25.76)
營業費用 (Operating expense)	12,754	24.38	16,408	24.89	(3,654)	(22.27)
營業利益 (Operating profit)	6,563	12.55	9,612	14.58	(3,049)	(31.72)
營業外收支 (Non-operating items)	597	1.14	2,164	3.28	(1,567)	(72.41)
稅前純益(Net profit before tax)	7,160	13.69	11,776	17.86	(4,616)	(39.20)
所得稅費用(Income tax)	2,171	4.15	2,822	4.28	(651)	(23.07)
稅後純益 (Net profit after tax)	4,989	9.54	8,954	13.58	(3,965)	(44.28)
毛利率(Gross margin rate)	36.93%		39.47%		(2.54%)	
費用率(Operating expense rate)	24.38%		24.89%		(0.51%)	
營業利益率(Operating profit)	12.55%		14.58%		(2.03%)	
淨利率(Net profit rate)	9.54%		13.58%		(4.05%)	

Product Mix(2016年~2020年H1)(ZBIW)

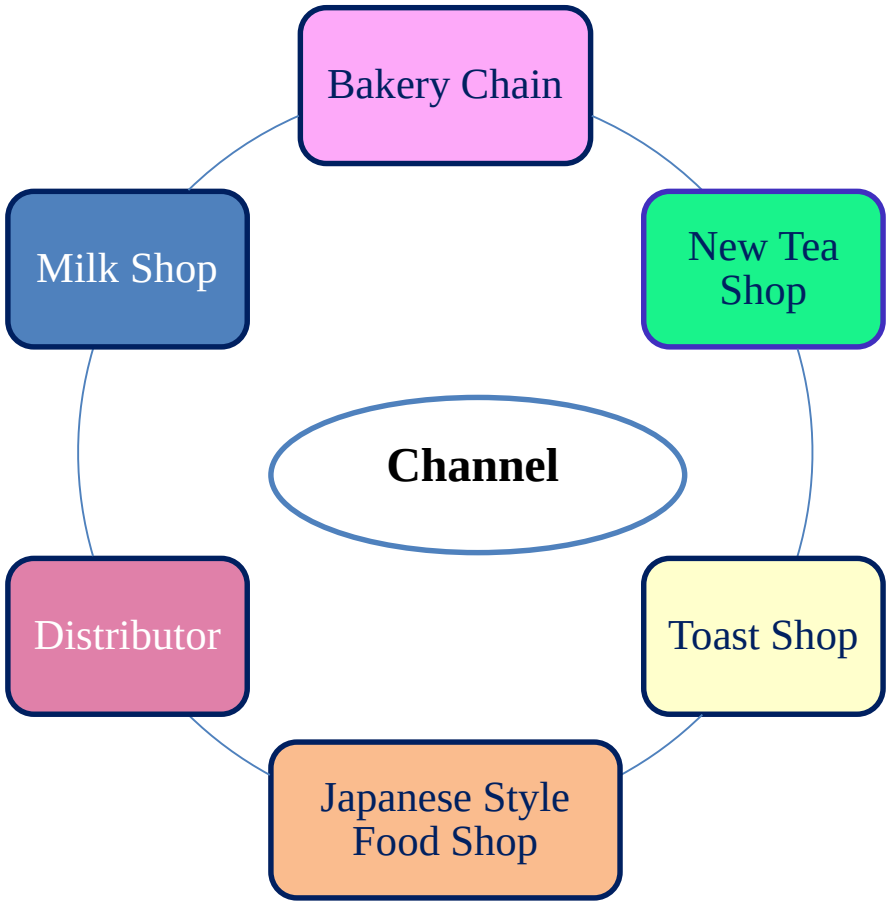


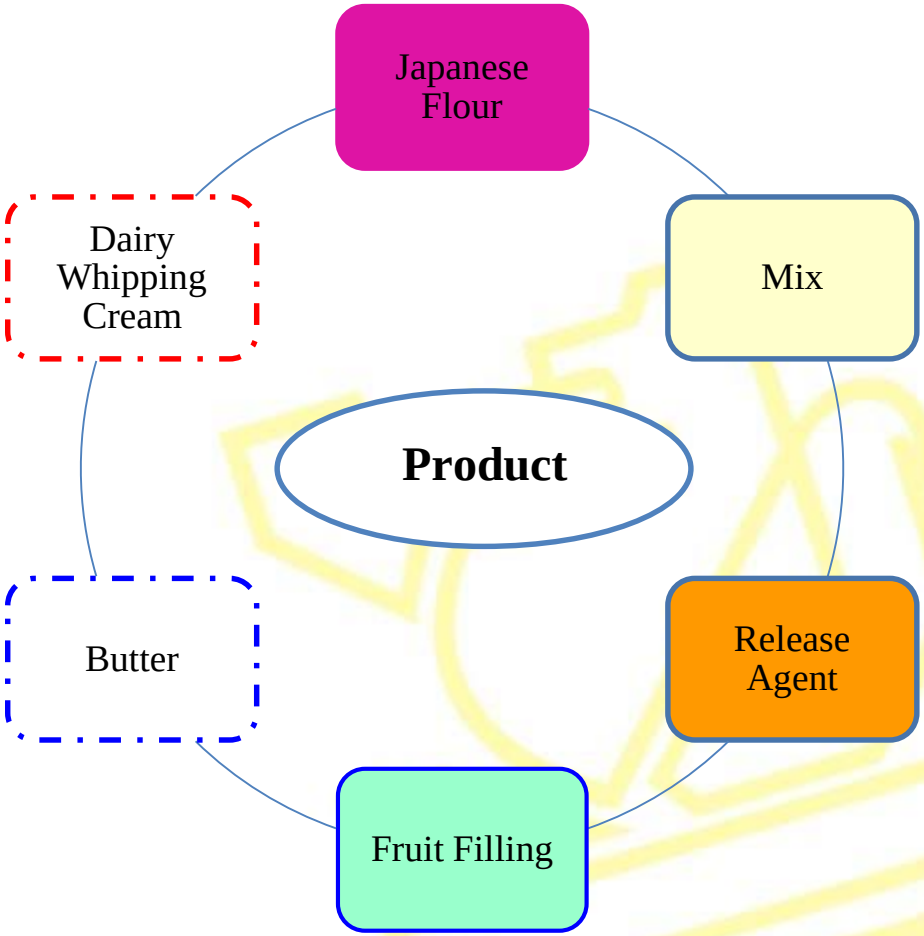
- The market share of canned fruit products is declining year by year, and is gradually replaced by fresh fruit
- Driven by the consumption upgrading of bakery products, the share of Japanese flour gradually increased

Channel Analysis(2016~2020年H1)(ZBIW)



Action Plan(ZBIW)





Thank You